

**FOR
AGENDA**

SM/02/290
Supplement 1
Correction 1

September 19, 2002

To: Members of the Executive Board

From: The Secretary

Subject: **Intensified Work on Anti-Money Laundering and Combating the
Financing of Terrorism—Progress Report on Responses to the AML/CFT
Questionnaire**

The attached corrections to SM/02/290, Supplement 1 (9/11/02) have been provided by the staff:

Page 3, para. 8, line 2: for “48” read “49”
Footnote 3, line 2: Colombia has been added.

Questions may be referred to Mr. Hardy, MAE (ext. 38490) and Mr. Thony, LEG (ext. 34933).

Att: (1)

Other Distribution:
Department Heads

in the form of copies of existing legislation or regulations; responses could also take the form of responses to questionnaires from the Financial Action Task Force on Money Laundering (FATF) or FATF-style regional bodies.

6. The finalized questionnaire (see attachment) comprises 21 questions on primary and secondary AML/CFT legislation, the institutions involved in AML/CFT efforts, and major prudential supervisory requirements in this area, such as customer due diligence and the establishment of systems for internal control, record keeping, and reporting of unusual transactions. The first eight questions form the core of the questionnaire and are intended to allow the identification of the main elements of a country's AML/CFT system. Copies of relevant legislation and regulations are requested. The remaining questions go into some issues in greater detail.² The questionnaire is accompanied by a cover letter and a preamble, which reiterate that the questionnaire is voluntary and will be distributed to all members over time in the context of Article IV consultation discussions. A short glossary is attached to the questionnaire in order to help in understanding the questions, some of which include technical terms.

III. INITIAL DISTRIBUTION OF THE QUESTIONNAIRE

7. As anticipated at the time of the Board discussion, the questionnaire began to be employed in early 2002. In consultation with area departments countries were selected to receive the questionnaire relatively early in order to achieve a representation distribution by geographical location and stage of economic development, and in the light of the schedule of Article IV consultations. Subsequently, the questionnaire has been sent out to countries in advance of Article IV consultation missions. The questionnaire was generally not sent to countries that had or would soon participate in a Financial Sector Assessment Program (FSAP) or an Offshore Financial Center (OFC) assessment that would cover AML/CFT issues in greater depth using the new methodology. Questionnaires are still being sent out to countries whose Article IV consultations are approaching.

8. Responses began to be received in February, with most arriving in March. The flow of responses has been steady since then, and 49 had been received by September 10.³ The

² For example, question 7 in the core section requests that the respondent identify legislation, regulations or guidelines that have been issued on the recognition and reporting of unusual transactions, and requests a copy of the relevant documents. The supplementary question 17 asks what information must be provided in a suspicious transaction report; question 18 asks whether all cash transactions over a threshold must be reported; and question 19 asks whether financial institutions are prohibited from informing clients when information relating to them is being reported to the competent authority.

³ The responding countries as of that date were Angola, Armenia, Australia, Bahrain, Barbados, Belize, Benin, Brazil, Burkina Faso, Chile, China, Colombia, Croatia, the Czech Republic, El Salvador, Estonia, France, Fiji, Grenada, Guatemala, Haiti, Iceland, Iran, Israel, (continued)

sample of respondents represents all geographical areas and levels of development. There are currently about 15 questionnaires outstanding, and responses continue to be received.

9. Many countries responded in some detail: almost 60 percent of respondents addressed all questions, and about the same proportion provided copies of some or all relevant legislation and regulations. Some countries responded with very detailed answers and comprehensive collections of legislation—which may in itself be a sign of the relative importance attached to AML/CFT issues. Three countries responded with copies of responses to other FATF or other questionnaires. No country explicitly declined to respond. Responses were generally transmitted by the country's central bank or Ministry of Finance.

IV. ANALYSIS OF RESPONSES

10. Staff from the Legal and Monetary and Exchange Affairs Departments have begun analyzing the responses received to date. This analysis starts with the organization of the information contained in each response into a common format so as to facilitate the identification of the main elements of a country's AML/CFT system and comparisons across countries. This summary includes a list of any issues in need of clarification (for example, when it is not clear to which financial institutions a regulation applies), and other points for discussion (for example, on the main elements of any planned legislation, or whether the authorities seek technical assistance on some subject). The analysis is then provided to area departments to be available to inform their discussions of AML/CFT issues in the context of Article IV consultation missions.

11. For the purposes of this report, staff have attempted to identify some general characteristics of the structure of AML/CFT systems as they are reflected in the answers received. Since the questionnaire deliberately concentrated on legislation, regulations and institutions, the generalizations that can be made concern factual matters in these areas. It was not intended or feasible in the context of the questionnaire to address questions concerning the implementation or enforcement of these provisions.

12. The analysis is complicated by differences in the comprehensiveness of the responses, and the difficulty of judging their thoroughness. Gaps in responses arise not only when a question is not answered, but also when an answer is not complete; the latter are more difficult to identify. One possibility is that a gap in an answer indicates that provisions are lacking in the area covered by the respective question, but it could alternately indicate that the institution responding is unaware of provisions that exist. Even when an answer is provided, it may omit information on other relevant provisions that strengthen or contradict

Italy, Jamaica, Malaysia, Mauritius, Mexico, Moldova, Myanmar, the Netherlands, Oman, Pakistan, Rwanda, Singapore, Slovenia, St. Vincent and the Grenadines, Suriname, Swaziland, Tajikistan, Thailand, Togo, Trinidad and Tobago, Tunisia, the U.S.A., Venezuela, Yemen, and FR Yugoslavia.